

CHILDREN'S INSTITUTE, INC.

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022

(with Comparative Totals for 2021)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's Institute, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Children's Institute, Inc. (the "Institute"), which comprise the balance sheet as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of Children's Institute, Inc. as of June 30, 2022, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Institute, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Institute, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Institute, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Institute, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Children's Institute, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2022

CHILDREN'S INSTITUTE, INC.

BALANCE SHEET

JUNE 30, 2022

(with Comparative Totals for 2021)

<u>ASSETS</u>	June 30,			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 2,345,021	\$ -	\$ 2,345,021	\$ 1,873,975
Funding and grants receivable	894,020	-	894,020	770,163
Measures and manuals inventory	32,176	-	32,176	49,763
Prepaid expenses and deposits	<u>193,166</u>	<u>-</u>	<u>193,166</u>	<u>217,257</u>
TOTAL CURRENT ASSETS	3,464,383	-	3,464,383	2,911,158
<u>PROPERTY AND EQUIPMENT</u>				
Furniture and equipment	687,839	-	687,839	658,598
Vehicles	354,150	-	354,150	354,150
Leasehold improvements	<u>238,091</u>	<u>-</u>	<u>238,091</u>	<u>238,091</u>
	1,280,080	-	1,280,080	1,250,839
Less accumulated depreciation	(718,282)	-	(718,282)	(621,847)
Less accumulated amortization	<u>(238,091)</u>	<u>-</u>	<u>(238,091)</u>	<u>(238,091)</u>
	323,707	-	323,707	390,901
<u>INVESTMENTS</u>	<u>2,029,066</u>	<u>1,154,632</u>	<u>3,183,698</u>	<u>3,835,209</u>
TOTAL ASSETS	<u>\$ 5,817,156</u>	<u>\$ 1,154,632</u>	<u>\$ 6,971,788</u>	<u>\$ 7,137,268</u>

The accompanying notes are an integral part of the financial statements.

<u>LIABILITIES AND NET ASSETS</u>	June 30,			
	2022		2021	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 696,595	\$ -	\$ 696,595	\$ 617,908
Security deposits	1,225	-	1,225	1,225
Accrued interest payable	7,679	-	7,679	2,162
Refundable advances:				
Receipts and billings in excess of costs incurred	2,130,993	-	2,130,993	1,787,342
TOTAL CURRENT LIABILITIES	<u>2,836,492</u>	<u>-</u>	<u>2,836,492</u>	<u>2,408,637</u>
<u>LONG-TERM LIABILITIES</u>				
Paycheck Protection Program deferred revenue	100,000	-	100,000	187,234
TOTAL LONG-TERM LIABILITIES	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>187,234</u>
TOTAL LIABILITIES	2,936,492	-	2,936,492	2,595,871
<u>NET ASSETS</u>	<u>2,880,664</u>	<u>1,154,632</u>	<u>4,035,296</u>	<u>4,541,397</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,817,156</u>	<u>\$ 1,154,632</u>	<u>\$ 6,971,788</u>	<u>\$ 7,137,268</u>

CHILDREN'S INSTITUTE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Year ended June 30,</u>	
			<u>2022</u>	<u>2021</u>
			<u>Total</u>	<u>Total</u>
Revenue and gains:				
Federal	\$ 699,140	\$ -	\$ 699,140	\$ 964,786
Paycheck Protection Program grant income	87,234	-	87,234	588,325
New York State	1,807,671	-	1,807,671	1,525,784
National/Other States	7,700	-	7,700	90,827
United Way of Greater Rochester	72,276	36,089	108,365	45,000
Local foundations	1,316,868	-	1,316,868	1,563,480
Fee for service/sales/other	2,181,848	-	2,181,848	575,635
Interest income, net of fees	80,922	(1,428)	79,494	47,906
Charitable giving	86,772	7,028	93,800	199,227
Net assets released from restrictions	63,175	(63,175)	-	-
Net investment (loss) gain	(489,136)	(17,895)	(507,031)	712,290
Total revenue and gains	<u>5,914,470</u>	<u>(39,381)</u>	<u>5,875,089</u>	<u>6,313,260</u>
Expenses and losses:				
Data and science	243,373	-	243,373	244,642
COMET	38,927	-	38,927	203,825
National services	952,602	-	952,602	833,102
Community partnerships	2,023,172	-	2,023,172	1,275,233
Whole child connection	1,284,301	-	1,284,301	1,743,423
Racial and social justice	58,521	-	58,521	-
Paycheck Protection Program	92,752	-	92,752	589,349
ROC the Future	1,140,487	-	1,140,487	181,119
Finance, administration, and support services	294,846	-	294,846	81,940
Fundraising	155,774	-	155,774	98,098
Depreciation and amortization	96,435	-	96,435	53,111
Total expenses and losses	<u>6,381,190</u>	<u>-</u>	<u>6,381,190</u>	<u>5,303,842</u>
CHANGE IN NET ASSETS	(466,720)	(39,381)	(506,101)	1,009,418
Net assets at beginning of year	<u>3,347,384</u>	<u>1,194,013</u>	<u>4,541,397</u>	<u>3,531,979</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,880,664</u>	<u>\$ 1,154,632</u>	<u>\$ 4,035,296</u>	<u>\$ 4,541,397</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

	Program Services								Supporting Services		Year ended June 30,		
	Data and Science	COMET	National services	Community partnerships	Whole Child Connection	Racial and Social Justice	Paycheck Protection Program	ROC The Future	Total Program	Finance, administration and support services	Fundraising	2022	2021
												Total	Total
Salaries and benefits	\$ 171,268	\$ 1,087	\$ 375,196	\$ 928,953	\$ 672,036	\$ 20,529	\$ 80,369	\$ 615,634	\$ 2,865,072	\$ 850,724	\$ 106,550	\$ 3,822,346	\$ 3,030,083
Consulting	8,937	2,874	10,677	403,507	433,107	17,139	-	272,409	1,148,650	33,880	12,000	1,194,530	1,010,265
School district awards	-	-	359,239	-	-	-	-	-	359,239	-	-	359,239	367,465
Occupancy	-	-	2,120	-	-	-	-	-	2,120	169,038	-	171,158	157,855
Insurance	-	-	-	5,226	-	-	-	-	5,226	25,154	-	30,380	19,079
Travel and meals	29	-	4,883	18,245	6,773	2,108	-	16,783	48,821	21,961	-	70,782	17,026
Supplies and materials	13,105	12,476	70,228	224,545	6,185	1,050	-	8,220	335,809	23,691	421	359,921	213,007
Printing and duplicating	-	-	-	6,958	37	-	-	4,180	11,175	3,470	149	14,794	8,005
Telephone	-	-	2,122	30,852	2,562	-	641	-	36,177	7,379	-	43,556	54,567
Postage and shipping	-	-	-	68	1,000	-	-	130	1,198	2,039	235	3,472	3,386
Cost of goods sold	-	-	-	-	-	-	-	-	-	3,567	-	3,567	-
Legal and accounting	-	-	-	771	-	-	-	-	771	33,423	-	34,194	19,902
Other expenses	9,289	-	2,551	21,391	4,285	8,501	11,742	26,942	84,701	66,286	3,603	154,590	154,533
Technology expense	12,315	84	26,677	73,094	35,620	1,602	-	22,806	172,198	(180,891)	8,718	25	-
Bad debt expense	-	22,201	-	-	-	-	-	-	22,201	-	-	22,201	195,558
	214,943	38,722	853,693	1,713,610	1,161,605	50,929	92,752	967,104	5,093,358	1,059,721	131,676	6,284,755	5,250,731
Allocation of overhead	28,430	205	98,909	309,562	122,696	7,592	-	173,383	740,777	(764,875)	24,098	-	-
	243,373	38,927	952,602	2,023,172	1,284,301	58,521	92,752	1,140,487	5,834,135	294,846	155,774	6,284,755	5,250,731
Depreciation and amortization	5,166	33	11,317	28,019	20,270	619	-	18,569	83,993	9,227	3,214	96,435	53,111
TOTAL EXPENSES	\$ 248,539	\$ 38,960	\$ 963,919	\$ 2,051,191	\$ 1,304,571	\$ 59,140	\$ 92,752	\$ 1,159,056	\$ 5,918,128	\$ 304,073	\$ 158,988	\$ 6,381,190	\$ 5,303,842

The accompanying notes are an integral part of the financial statements.

CHILDREN'S INSTITUTE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (506,101)	\$ 1,009,418
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	96,435	53,111
Investment loss (gain)	507,031	(712,290)
Bad debt expense	22,201	195,558
Paycheck Protection Program grant income	(87,234)	(588,325)
Changes in certain assets and liabilities affecting operations:		
Funding and grants receivable	(123,857)	(270,820)
Measures and manuals inventory	17,587	(22,634)
Prepaid expenses and deposits	24,091	(140,867)
Receivables from COMET Informatics, LLC	(22,201)	(16,680)
Accounts payable	78,687	43,255
Security deposits	-	(848)
Accrued interest payable	5,517	1,028
Refundable advances	343,651	1,026,991
NET CASH PROVIDED FROM OPERATING ACTIVITIES	355,807	576,897
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(29,241)	(306,072)
Purchases of long-term investments	(556,207)	(443,753)
Sales of long-term investments	700,687	258,256
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	115,239	(491,569)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program loan payable	-	551,769
NET CASH PROVIDED FROM FINANCING ACTIVITIES	-	551,769
NET INCREASE IN CASH AND CASH EQUIVALENTS	471,046	637,097
Cash and cash equivalents at beginning of year	1,873,975	1,236,878
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,345,021</u>	<u>\$ 1,873,975</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE A: THE INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Institute

Children's Institute, Inc. (the "Institute") is a private, non-profit Institute serving communities world-wide with headquarters in Rochester, New York. The Institute works for children by developing and promoting prevention and early intervention programs, evaluating children's conditions and programs, training professionals, and forming community partnerships to inspire and implement positive public policy.

The mission of the Institute is to equip and support those who work with children to ensure the success of every child.

Basis of accounting

The Institute maintains its books and records on the accrual basis of accounting.

Classification of net assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Institute, the accounts of the Institute are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, and net assets of the Institute are reported in the following self-balancing net asset groups:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has discretionary control to use these in carrying on operations in accordance with the guidelines established for the Institute.

Net assets with donor restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and support recognition

Revenue from Exchange Transactions: The Institute recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE A: THE INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grant revenue

A majority of the Institute's revenue is derived from cost-reimbursable federal, state and foundation contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Amounts received prior to incurring qualifying expenditures are reported as receipts and billings in excess of costs incurred in the accompanying balance sheet and amounted to \$ 2,130,993 and \$1,787,342 at June 30, 2022 and 2021 respectively. The Institute received cost-reimbursement grants of \$3,579,009 and \$631,251 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred and cash advances were not received.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Institute. Contributions that are restricted by the donor are reported as increases in net assets without restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restriction. When a restriction expires, net assets with restriction are reclassified to net assets without restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

The Institute's cash balances are maintained at financial institutions located in Upstate New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Institute has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Funding and grants receivable

Funding and grants receivable are stated at the amount management expects to collect from outstanding balances. Based on its assessment of the current status of individual receivables from grants, contracts and others, balances that are still outstanding after management has used reasonable collection efforts are directly written off through a charge to the applicable revenue account and a credit to the applicable receivable. Management determined that an allowance for doubtful accounts was not necessary at June 30, 2022 and 2021.

Inventory

The Institute has measures and manuals inventory which are valued based upon the original invoice amount plus the cost of shipping.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE A: THE INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Property and equipment

Furniture, vehicles and equipment are stated at cost and are depreciated using the straight-line method over five-year lives. Leasehold improvements are fully amortized at June 30, 2022. The Institute has the use of certain furniture and equipment purchased with grant funds, which is neither included in the accompanying statements of financial position nor depreciated because title to the equipment is retained by the granting agency.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Long-lived assets

The Institute reviews long-lived assets to be held and used for possible impairment when events or changes in circumstances indicate their carrying amounts may not be recoverable. If such events or changes are present, a loss is recognized to the extent the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the asset. At June 30, 2022 and 2021, there were no such impairments.

Fundraising expenses

Fundraising expenses are the costs of all activities which constitute an appeal for financial support. Fundraising expenses include expenses such as costs of personnel, printing, postage, office supplies and travel expenses.

Comparatives for year ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Tax exempt status

The Institute is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The Institute has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Institute files Form 990 tax returns in the U.S. federal jurisdiction and also files in New York State. With few exceptions, as of June 30, 2022 the Institute is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to June 30, 2019. The tax returns for the years ended June 30, 2019 through June 30, 2022 are still subject to potential audit by the IRS and the taxing authorities in New York State.

Management of the Institute believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE A: THE INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 2022 and 2021 and the reported amounts of public support, revenue and expenses for the year then ended. Actual results could differ from those estimates.

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Institute’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Institute is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

Adoption of new accounting standard - gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Institute has adopted the provisions of this standard with no impact on the Institute’s financial statements.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020 to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Institute is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Institute’s financial position or results of operations.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE A: THE INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent events

The Institute has conducted an evaluation of potential subsequent events occurring after the balance sheet date through October 27, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note K.

NOTE B: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	June 30,	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,345,021	\$ 1,873,975
Funding and grants receivable	894,020	770,163
Investments appropriated for current use	<u>468,871</u>	<u>259,550</u>
Total financial assets available within one year	<u>\$ 3,707,912</u>	<u>\$ 2,903,688</u>

The Institute has a spending rate of 5% per annum based on a 12-quarter rolling market value calculation.

The Institute has a line of credit with maximum borrowings of \$1,000,000 which they could draw upon in the event of unanticipated liquidity needs. At June 30, 2022 and 2021, no amount was outstanding on this line.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE C: INVESTMENTS

The Institute invests a portion of its funds in accounts managed by independent money managers. Investments at market value consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 14,849	\$ 22,064
Exchange traded funds	2,384,447	2,910,962
Mutual funds:		
Domestic stock funds	37,898	48,362
International stock funds	110,612	132,201
Fixed income funds	<u>512,331</u>	<u>572,043</u>
Total mutual funds	<u>660,841</u>	<u>752,606</u>
Assets held at Rochester Area Community Foundation -		
Common and collective trusts	<u>123,561</u>	<u>149,577</u>
Total assets at fair value	<u>\$ 3,183,698</u>	<u>\$ 3,835,209</u>

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investments, it is at least reasonably possible that changes in risks could materially affect the Institute.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE D: LINE OF CREDIT

The Institute has a line of credit with a financial institution which provides for maximum borrowings of \$1,000,000 that bears interest at prime less 0.25% (effective rate of 4.50% at June 30, 2022). The line is secured by substantially all of the Institute's assets. There were no outstanding borrowings at June 30, 2022 or 2021.

NOTE E: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020, the Institute applied for and was approved by a bank for a loan of \$551,769 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 24 months and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements were met by the Institute. The loan was funded in April 2020. As of June 30, 2020, the Institute's management believed the Institute had met the substantial requirements forgiveness of the loan and as such, had recorded grant revenue totaling \$327,979 during the year ended June 30, 2020. The Institute applied for forgiveness and in May 2021, the SBA approved the full forgiveness of the loan and all accrued interest. For the year ended June 30, 2020, the Institute recorded an allowance for uncollectible amounts of \$100,000 against this revenue. The allowance was reversed in the year ended June 30, 2021 and taken into income when the full amount was forgiven. The Institute recorded grant income of the remaining \$223,790 in the year ended June 30, 2021.

The Institute applied for and was approved by a bank for a second loan of \$551,769 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 24 months and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Institute. The loan was funded in February 2021. As of June 30, 2022, the Institute's management believes that the Institute has met the substantial requirements for partial forgiveness of the loan and as such, has recorded grant income of \$87,234 and \$364,535 during the years ended June 30, 2022 and 2021, respectively. The remaining balance of \$100,000 at June 30, 2022 is in long term liabilities on the accompanying balance sheet. During the year ended June 30, 2022, the Institute received initial forgiveness from the Small Business Administration of approximately \$73,700. The remaining balance was initially determined as not eligible by the Small Business Administration due to employees being employees of the University of Rochester and not Children's Institute, Inc. Management believes that the payroll expenses are eligible which is consistent with the first loan of the Paycheck Protection Program which was forgiven in full and is vigorously defending its position with the assistance of an outside law firm and therefore has not adjusted the revenue that has been recognized as grant income. Management expects the entire balance to be forgiven in the next fiscal year.

NOTE F: AFFILIATED ENTITY

The Institute is affiliated with the University of Rochester (the "University"). Institute activities are carried out by University employees and individuals under contract. The Institute reimburses the University for all expenses incurred by the University on behalf of the Institute including all amounts related to leased employees.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE G: COMMITMENTS AND CONTINGENCIES

Expenditures under certain grant contracts with the State of New York are subject to retrospective audit and adjustment. All changes resulting from these audits are recorded in the year the audit is finalized.

During the year ended June 30, 2006, the Institute elected to exercise its option to renew their building lease and entered into a lease amendment agreement to lease additional contiguous space under a five year lease through November 2010. The amendment also provides for three, five year renewal options through 2025 with a 5% increase in rent each five year period. In September 2020, the lease was renewed through June 30, 2023 with no increase in the monthly rent. The current monthly rent is \$10,845. The current monthly rent is reduced by the sublease rent (see below).

Rental expense amounted to \$130,136 for each of the years ended June 30, 2022 and 2021.

Future minimum operating lease payments required under this lease arrangement is approximately as follows:

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 130,000</u>

The Institute had an agreement to sublease property to a third party. The monthly rental income from this lease was \$1,129 and ended November 2020. The Institute entered into an additional agreement to sublease property to another third party for the period July 1, 2019 through November 2019. The lease was renewed March 2021 through June 30, 2023. The current monthly rental income is \$1,225 through June 2023. The amount of the sublease rent is included in the fee for service/sales/other line of the accompanying statement of activities and changes in net assets in the amount of \$14,700 and \$15,939 for years ended June 30, 2022 and 2021, respectively.

NOTE H: SIGNIFICANT FUNDING

The Institute receives a substantial amount of its funding from the Federal Government, the State of New York, and ROC the Future. A significant reduction in the level of support, if this were to occur, could have a material effect on the Institute's programs and activities.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE I: ENDOWMENTS

Total net assets donor-restricted in perpetuity in the endowment as of June 30, 2022 was \$833,763. This represents three endowment funds that are donor-restricted perpetual endowment funds that are deemed to be restricted by explicit donor stipulation. Total investment net assets donor-restricted temporarily of \$320,869 at June 30, 2022 represents multiple funds that are donor-restricted investment funds that are deemed to be temporarily restricted by explicit donor stipulation. Certain net assets without restriction of \$2,029,066 at June 30, 2022 represent undesignated investments funds, which have no donor or time restrictions associated with them.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

Effective September 17, 2010, the New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted to replace and update the Uniform Management of Institutional Funds Act (UMIFA), which was adopted in New York in 1978. The Board of Directors of Children's Institute, Inc. has interpreted the NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as donor-restricted endowment fund (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Institute considers the following factors:

- (1) The duration and preservation of the fund
- (2) The purposes of the Institute and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institute
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Institute;
and
- (8) The investment policies of the Institute

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE I: ENDOWMENTS, Cont'd

In accordance with NYPMIFA the Institute may determine, after consideration of the eight objectives described above, it would be prudent to appropriate funds below the historical dollar value of the endowment. However, the Institute must inform all available donors of endowment gifts made pursuant to gift instruments executed before September 17, 2010 to opt out of the new rule permitting institutions to appropriate below the historic dollar value of endowment funds. The donor may or may not permit this additional appropriation. If the donor is unavailable or does not stipulate within 90 days the Institute may appropriate below the historical dollar value of the endowment if it is deemed prudent. Management has determined that all available donors requiring such notice have received notice. This notification process resulted in one donor who had donated \$50,000 not allowing additional appropriations below historical dollar value. For both years ended June 30, 2022 and 2021, the Institute had restricted investments of \$833,763, which are impacted by NYPMIFA.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>June 30, 2022</u>			
Donor-restricted endowment funds	\$ -	\$ 1,154,632	\$ 1,154,632
Funds without donor restrictions	<u>2,029,066</u>	<u>-</u>	<u>2,029,066</u>
	<u>\$ 2,029,066</u>	<u>\$ 1,154,632</u>	<u>\$ 3,183,698</u>
 <u>June 30, 2021</u>			
Donor-restricted endowment funds	\$ -	\$ 1,194,013	\$ 1,194,013
Funds without donor restrictions	<u>2,641,196</u>	<u>-</u>	<u>2,641,196</u>
	<u>\$ 2,641,196</u>	<u>\$ 1,194,013</u>	<u>\$ 3,835,209</u>

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE I: ENDOWMENTS, Cont'd

For the years ended June 30, 2022 and 2021, the Institute had the following unrestricted and endowment-related investment activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 1,664,044	\$ 1,273,378	\$ 2,937,422
Investment return:			
Interest and dividend income	64,916	(1,397)	63,519
Net gain (realized and unrealized)	<u>675,551</u>	<u>36,739</u>	<u>712,290</u>
Total investment return	740,467	35,342	775,809
Amounts appropriated for expenditure	148,446	(156,082)	(7,636)
Contributions	103,852	41,375	145,227
Management fees paid	<u>(15,613)</u>	<u>-</u>	<u>(15,613)</u>
Total change in endowment funds	<u>977,152</u>	<u>(79,365)</u>	<u>897,787</u>
Endowment net assets, June 30, 2021	2,641,196	1,194,013	3,835,209
Investment return:			
Interest and dividend income	99,446	(1,428)	98,018
Net loss (realized and unrealized)	<u>(489,136)</u>	<u>(17,895)</u>	<u>(507,031)</u>
Total investment loss	(389,690)	(19,323)	(409,013)
Amounts appropriated for expenditure	(290,688)	(27,086)	(317,774)
Contributions	86,772	7,028	93,800
Management fees paid	<u>(18,524)</u>	<u>-</u>	<u>(18,524)</u>
Total change in endowment funds	<u>(612,130)</u>	<u>(39,381)</u>	<u>(651,511)</u>
Endowment net assets, June 30, 2022	<u>\$ 2,029,066</u>	<u>\$ 1,154,632</u>	<u>\$ 3,183,698</u>

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE I: ENDOWMENTS, Cont'd

Description of restricted net assets in perpetuity – endowment funds

Campaign for Excellence - this fund was established by the Institute to act as a general fund for contributors to donate funds to be held in perpetuity. The purpose of this fund is to preserve the principal investment amounts while interest, dividends and investment gains/losses are to be unrestricted and used at the discretion of the Board of Directors.

Fielding Memorial Endowment – this fund was established by the Institute to act as a general fund for contributors to donate funds to be held in perpetuity. The purpose of this fund is to preserve the principal investment amounts while interest, dividends and investment gains/losses are to be unrestricted and used at the discretion of the Board of Directors.

Children's Institute Impact Initiative Endowment - this fund was established by the Institute at the Rochester Area Community Foundation to act as a general fund for contributors to donate funds to be held in perpetuity. The purpose of this fund is to preserve the principal investment amounts while interest, dividends and investment gains/losses are to be unrestricted and used at the discretion of the Board of Directors.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2022 and 2021, there were no such deficiencies.

Return objectives and risk parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period(s) as well as undesignated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in investments within the following range: equities – 50% - 60%; fixed income – 27% - 37%, and real return assets markets – 8% - 18%. Actual investments in any given year may vary from these amounts.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE I: ENDOWMENTS, Cont'd

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Institute has a policy of appropriating for distribution each year five percent of unrestricted and permanently restricted funds based on the fund's average ending fair value over the prior twelve quarters preceding the fiscal year in which the distribution is planned. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE J: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America ("GAAP") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

Exchange Traded Funds and Mutual funds: Valued at the closing price reported on the active market on which the individual funds and stocks are traded.

Other investments: Other investments include publicly-traded common stocks, fixed income mutual funds and equity mutual funds held by Rochester Area Community Foundation and Affiliates (RACF). These investments are valued on a net asset basis by RACF based upon the value of the underlying investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE J: FAIR VALUE MEASUREMENTS, Cont'd

The following presents the financial instruments measured at fair value on a recurring basis at June 30, 2022 and 2021:

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 14,849	\$ -	\$ -	\$ 14,849
Exchange traded funds:				
Small Cap Blend	111,816	-	-	111,816
Midcap Blend	166,279	-	-	166,279
Midcap Value	55,358	-	-	55,358
Large Cap Blend	824,652	-	-	824,652
Large Cap Value	92,050	-	-	92,050
Bond	694,221	-	-	694,221
International	440,071	-	-	440,071
Total exchange traded funds	<u>2,384,447</u>	-	-	<u>2,384,447</u>
Mutual Funds:				
Domestic stock funds:				
Small Cap Blend Index	37,898	-	-	37,898
Total domestic stock funds	<u>37,898</u>	-	-	<u>37,898</u>
International stock funds	110,612	-	-	110,612
Fixed income funds:				
Inter-Term Investment	512,331	-	-	512,331
Total fixed income funds	<u>512,331</u>	-	-	<u>512,331</u>
Total mutual funds	<u>660,841</u>	-	-	<u>660,841</u>
Common and collective trusts *				
Investments held at Rochester				
Area Community Foundation -				
Impact Fund **	-	-	-	123,561
Total assets at fair value	<u>\$ 3,060,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,183,698</u>

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

** Based on an analysis of the nature and risks of these investments, it has been determined that presenting them as a single class is appropriate.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE J: FAIR VALUE MEASUREMENTS, Cont'd

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
Cash and cash equivalents	\$ 22,064	\$ -	\$ -	\$ 22,064
Exchange traded funds:				
Small Cap Blend	136,708	-	-	136,708
Midcap Blend	182,736	-	-	182,736
Midcap Value	84,399	-	-	84,399
Large Cap Blend	1,016,761	-	-	1,016,761
Large Cap Value	113,677	-	-	113,677
Bond	869,517	-	-	869,517
International	<u>507,164</u>	<u>-</u>	<u>-</u>	<u>507,164</u>
Total exchange traded funds	2,910,962	-	-	2,910,962
Mutual Funds:				
Domestic stock funds:				
Small Cap Blend Index	<u>48,362</u>	<u>-</u>	<u>-</u>	<u>48,362</u>
Total domestic stock funds	48,362	-	-	48,362
International stock funds	132,201	-	-	132,201
Fixed income funds:				
Inter-Term Investment	<u>572,043</u>	<u>-</u>	<u>-</u>	<u>572,043</u>
Total fixed income funds	<u>572,043</u>	<u>-</u>	<u>-</u>	<u>572,043</u>
Total mutual funds	<u>752,606</u>	<u>-</u>	<u>-</u>	<u>752,606</u>
Common and collective trusts *				
Investments held at Rochester				
Area Community Foundation -				
Impact Fund **	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,577</u>
Total assets at fair value	<u>\$ 3,685,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,835,209</u>

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

** Based on an analysis of the nature and risks of these investments, it has been determined that presenting them as a single class is appropriate.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE K: JOINT VENTURE

During 2011, the Institute entered into a joint venture with SophiTEC, Inc. to form COMET Informatics, LLC. SophiTEC was chosen as a partner to develop COMET Informatics LLC with Children's Institute because SophiTEC has the skills, interests and financial and corporate commitments to help make the COMET system and the LLC a success. COMET is a web-based informatics system which was developed for two primary reasons: 1) to better meet the assessment, evaluation and accountability needs for Children's Institute's partners and customers in the 21st century, and 2) to provide a significant and different revenue stream that can be used to fund efforts germane to the Institute's mission and vision. At the date of formation, it was agreed by the members that the Institute owed SophiTEC, Inc. \$296,879 to equalize the initial contribution of trademarks, goodwill, intellectual property and efforts to date which was in effect through June 30, 2014.

Effective July 1, 2014, the members of COMET agreed to a new operating agreement and a membership purchase agreement. In accordance with the membership purchase agreement, SophiTEC agreed to purchase 28,942 of Class A membership interests from the Institute for \$99,998 which reduced the amount owed to SophiTEC by the Institute to \$196,881. At June 30, 2016 and in accordance with new operating agreement, the Institute was expected to begin to repay amount at a rate of \$10,000 per month effective September 30, 2016. Therefore, \$90,000 was repaid in the fiscal year ended June 30, 2017. The remaining amount was repaid during the fiscal year ended June 30, 2018. Subsequent to the formation of COMET Informatics, LLC, the Institute contracted with COMET Informatics, LLC, to provide services for COMET. At June 30, 2022, COMET Informatics owed Children's Institute \$617,759. There is a full allowance for doubtful accounts against this amount of \$617,759 at June 30, 2022. The investment in COMET Informatics, LLC, which was a 38% interest at June 30, 2022, consists of the amount to equalize member contributions along with an initial cash contribution by the Institute of \$5,000. This investment was reduced by \$301,879 for the Institute's share of the LLC's loss from inception (August 10, 2011) through June 30, 2014 based upon unaudited COMET financial information. The investment in COMET Informatics, LLC, which is being accounted for under the equity method of accounting, has been reduced to zero as of June 30, 2014 and remains valued at zero on the accompanying balance sheets at June 30, 2022 and 2021, respectively.

Effective July 29, 2022, the Institute entered into a membership purchase agreement. In accordance with the membership purchase agreement, the Institute agreed to purchase all Class A - (562,356 voting units) and Class A-1 (28,942 non-voting units) membership interests from SophiTEC and an individual. In addition, the Institute will also purchase the SophiTEC's accounts receivable due from COMET Informatics, LLC. The aggregate purchase price for the membership interests (purchased units) and the accounts receivable is \$350,000.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE K: JOINT VENTURE, Cont'd

A summary of the COMET Informatics, LLC balance sheets as of June 30, 2022 and 2021 and statements of operations for the years ended June 30, 2022 and 2021 are as follows:

	<u>June 30,</u> <u>2022</u> <small>(Unaudited)</small>	<u>June 30,</u> <u>2021</u> <small>(Unaudited)</small>
Current assets	<u>\$ 380,007</u>	<u>\$ 222,740</u>
Current liabilities	\$ 1,691,231	\$ 1,787,372
Members' deficit	<u>(1,311,224)</u>	<u>(1,564,632)</u>
	<u>\$ 380,007</u>	<u>\$ 222,740</u>
Sales, net	\$ 1,219,262	\$ 1,032,285
Total expenses	<u>965,854</u>	<u>1,237,611</u>
Net income (loss) for the years ended June 30, 2022 and 2021	<u>\$ 253,408</u>	<u>\$ (205,326)</u>

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 527,891	\$ 315,287
Investments with board designation	2,029,066	2,641,196
Invested in property and equipment	<u>323,707</u>	<u>390,901</u>
	<u>\$ 2,880,664</u>	<u>\$ 3,347,384</u>

The Institute has a policy of appropriating for operations 5% of the investments with board designations on an annual basis.

CHILDREN'S INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2022
(with Comparative Totals for 2021)

NOTE L: NET ASSETS, Cont'd

Net assets with donor restrictions are restricted for the following purposes:

	June 30,	
	<u>2022</u>	<u>2021</u>
Donor restrictions which are temporary:		
United Way Programs -		
Community crisis fund and systems integrated project	\$ 87,257	\$ 111,087
Children's Institute Impact Initiative Fund	52,754	75,334
Beverley McDonald Memorial	1,035	685
Fielding Memorial Fund	4,556	4,556
Mary Ann Trost Memorial	2,280	2,255
Richard Leary Memorial	2,903	2,903
Nicole Ranalletta Memorial	3,500	3,449
Gary Lazenby Memorial	250	250
Grow Marketing	34,200	34,200
Campaign for Excellence - Capital Need	112,249	112,249
Primary Project 60th Birthday Fund	720	561
Valk Fund	17,165	12,721
Student Honorarium	2,000	-
	<u>320,869</u>	<u>360,250</u>
Donor restrictions in perpetuity:		
Children's Institute Impact Initiative Endowment Fund	77,500	77,500
Fielding Memorial Endowment Fund	666,287	666,287
Campaign for Excellence Endowment Fund	89,976	89,976
	<u>833,763</u>	<u>833,763</u>
	<u>\$ 1,154,632</u>	<u>\$ 1,194,013</u>

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

CHILDREN'S INSTITUTE, INC.

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Directors
Children's Institute, Inc.

We have audited the financial statements of Children's Institute, Inc. as of and for the year ended June 30, 2022, and our report thereon dated October 27, 2022, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 27, 2022

CHILDREN'S INSTITUTE, INC.

SCHEDULE OF ECEQC REVENUE AND EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Membership Dues and Contributions</u>	<u>Field trips</u>	<u>Accreditation</u>	<u>Total</u>
Contract balance at July 1, 2021	\$ 22,393	\$ 2,671	\$ 48,778	\$ 73,842
New Program Support	<u>6,000</u>	<u>-</u>	<u>25,000</u>	<u>31,000</u>
TOTAL FUNDING	<u>28,393</u>	<u>2,671</u>	<u>73,778</u>	<u>104,842</u>
Expenses:				
Consulting	2,130	-	17,703	19,833
Travel and meals	-	-	242	242
Office supplies	35	-	-	35
Other expenses	<u>190</u>	<u>-</u>	<u>-</u>	<u>190</u>
	2,355	-	17,945	20,300
Allocation of overhead	<u>431</u>	<u>-</u>	<u>3,284</u>	<u>3,715</u>
TOTAL EXPENSES	<u>2,786</u>	<u>-</u>	<u>21,229</u>	<u>24,015</u>
CONTRACT BALANCE AT JUNE 30, 2022	<u>\$ 25,607</u>	<u>\$ 2,671</u>	<u>\$ 52,549</u>	<u>\$ 80,827</u>
ACTUAL REFUNDABLE ADVANCE BALANCE	<u>\$ 25,607</u>	<u>\$ 2,671</u>	<u>\$ 52,549</u>	<u>\$ 80,827</u>